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THE

UTILITY

OF

COUNTRY BANKS

CONSIDERED.

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OF

THE UTILITY

OF

COUNTRY BANKS.

CASH or ready money, when considered as the medium of payment in a commercial country, comprehends every species of negotiable paper; and in proportion as that or metallic coin is increased, the currency or floating medium of circulation is more abundant; money is no longer a mere metallic substance. Gold, silver, copper, and their various alloys, are no longer the necessary tangible objects of exchange. Paper has assumed a legal validity, and securities of various kinds supply the place of coin. Bills are become the common medium of payment, and the merchant looks to the nature of his security as the stability of his wealth. A good bill is not estimated by the rent roll of the drawer or drawee; but assets

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sets in merchandize, in stock in trade, in ships, in government securities, &c. give *equal credit* to the circulation of paper, with the real security of landed property. This being the situation of all commercial concerns in which cash or ready money is required, and as ready money is the support of trade and commerce, it may be worth while to examine the source whence *credit* springs, before we enter upon a minute view of its effects.

All credit is derived from an opinion of the solvency of the borrower. No man has credit who is known to be insolvent. As it is with an individual, so it is with any number, aggregate body, or company of individuals. They only who are known to be, or are believed to be capable of paying, have the means of borrowing. Credit, then, is matter of opinion, and it must be observed, that it not unfrequently happens in this, as in other matters of opinion, that the public is mistaken. Confidence is sometimes given to insolvency; and an Act of Bankruptcy dissolves the dangerous error; whilst, on the other hand, honest, hard scraping industry scarcely has credit enough to feed its hunger or support existence. False credit, however, while it lasts, has all the advantages of genuine, it enables the borrower to borrow. What, then, is the effect of this

order

order of things in the mercantile world? Cash or ready money is the vital principle of trade and commerce; credit is the fuel of this principle; without this it decays, whithers, dies. Hence it follows, that whoever has credit, has the means of trade; or, in other words, the means of borrowing money or commodities for his purposes.

As it is impossible for all men to know precisely each other's situation or affairs, or if they did, to calculate with certainty on all the various events by which they may be altered or affected, so it is impossible to prevent evils, which arise from unforeseen losses in commercial concerns, from rational speculations, or knavish practices. Credit, however, is one and the same thing, in principle it never varies; and though it be, like Fortune, mutable, it must be remembered that it always proceeds upon an opinion of solvency or stability of payment. Whether a slip of paper bears the name of Abraham Newland, or Tom Jones, is the same thing; to give it currency, requires equally the belief of a sufficiency of property for the purpose it is designed. In reasoning, then, on the effects of paper currency, we must attend to the credit on which that paper passes current; for whilst it is current, and has credit, the effects are the same in trade and commerce,

merce, and all the purposes of payment, whether the credit be true or false: whether the issuers of any current paper have a surplus of millions, or debts beyond their assets, in this point of view, is of no consequence. No possible injury can arise to any holder of this paper whilst he can pay it as cash; it is only when it loses its credit and sticks in his fingers that he becomes a loser; and when it is no longer negotiable, then the holder is injured. If, then, the holder of the bill of an insolvent person can pass the bill, it is clear that for all the uses of cash, it is as useful as the bill of the richest man in Europe. Negotiability then becomes validity; and by various mercantile inventions and usages, paper receives a currency from adventitious occurrences in the course of circulation. By the addition of a name, by indorsement, paper receives credit, and becomes cash. Is this facility which multiplies money desirable or not in a commercial country? That it is desirable for a commercial nation to possess wealth, no one can doubt. That wealth is as *real* which flows from the *credit* of *paper* as that which hangs on the *weight of metals*, will no longer be doubted. An increase of gold in circulation would hardly be thought an evil in any society, yet an increase of paper currency is by many thought a great

great evil; sure it is, however, that an increase of one or the other acts on the very same principles. In all countries where money is plentiful, things will be, that is, they will seem to be dear; in rich countries more money will be required for the same articles than in poor countries where money is less plentiful. This observation will hold good, whether we pay in ducats or assignats, in guineas or bank notes. The currency of the country will operate in the same manner, when it is plentiful in every country whatever may be the form which it assumes.

We shall consider this subject under the following heads:

I. Of Money.

II. Of Interest.

III. Of Banks, and the Operations of the Banking System.

OF

OF MONEY.

CATTLE are said to have been the common instrument of commerce in the rude ages of society. Homer informs us that the armour of Diomed cost nine oxen, which was a very low price; whilst that of Glaucus cost one hundred oxen.

> " Thus having said the gallant chiefs alight,
> Their hands they join, their mutual faith they plight;
> Brave Glaucus then each narrow thought resign'd,
> (Jove warm'd his bosom and enlarg'd his mind:)
> For Diomed's brass arms, of mean device,
> For which nine oxen paid, (a vulgar price;)
> He gave his own, of gold divinely wrought,
> A hundred beeves the shining purchase bought.
>
> Pope's Homer's Iliad, book vi. 288.

In some parts of the coast of India, a species of shells * are still used as coin. In Abyssinia, salt is said to be the common medium of exchange. In the West India colonies, sugar; in Newfoundland, cod-fish; and in Virginia,

* They are called cowries or black-a-moor's teeth, and in these consists the whole specie of the inhabitants of the Maldivia Islands. See M. Eschelskroon, p. 207.

tobacco;

tobacco; in some other countries, hides or dressed leather; and Mr. Adam Smith informs us "that there is at this day a village in Scotland where it is not uncommon for a workman to carry nails instead of money to the baker's shop or the alehouse." We may add another, hitherto unnoticed, though not so clearly a species of exchange, which is manure, that children and poor persons gather on the post roads in Yorkshire, and in the north, where for the excellence of its quality it is valuable to the farmer; and I am told that it is a very common practice for poor persons to exchange it for coals or other necessaries, thus making horse dung, a species of money. The aromatic bark of cinnamon is used for the payment of taxes in the Island of Ceylon. *

Metals of one kind or other seem to have been very early introduced as the medium of barter; and their durable and diffusive properties gave them long a decided preference; but the introduction of paper credit, and the legal effects given to securities of this kind in all commercial countries, has in all large payments nearly abolished the use of metals.

The ancient Spartans used iron as their common instrument of commerce. The ancient

* Plin. Hist. Nat. lib. xxxiii. cap. 3. A note on this head.

Romans

Romans had only copper, which, till the time of Servius Tullius *, they used in the forms of unstamped bars, without any stamp or coinage. The use of gold and silver as the medium of exchange, was likewise very early introduced, since we read that Abraham weighed to Ephron the four hundred shekels of silver which he had agreed to pay for the field of Macphelah. In looking into the history of our own country, we are surprized to trace the slow progress of any fixed medium of exchange. The ancient Saxon kings of England received their revenues, not in money, but in victuals and provisions of all kinds. The custom of paying the revenue in money was introduced by William the Conqueror; and this money was, for a long time, received at the exchequer by weight, and not by tale.

The invention of coins seems to have arisen from the inconvenience and difficulty of weighing metals with exactness, and the stamp or impression covering entirely both sides of the piece, and sometimes the edges too, was supposed to ascertain both the fineness and weight of the metal. Originally the denomination of these coins seems to have expressed the weight or quantity of metal contained in

* M. Eschelskroon, p. 342. and I. C. Wolf.

them.

them. When Servius Tullius first coined money at Rome, the Roman As or Pondo contained a Roman pound of good copper, which was divided in the same manner as our Troyes pound, into twelve ounces, each of which contained a real ounce of good copper. In the time of Edward I. the English pound sterling contained a pound, Tower weight, of silver of a known fineness. This pound Tower weight appears to have been something more than the Roman pound, and something less than the Troyes pound, which was so denominated from the weights and measures used at the fair of Troyes in Champaign, which in the time of Charlemagne and sometime afterwards was frequented by all the nations of Europe. The Troyes pound weight was introduced into the mint of England in the 18th Henry VIII. The Scots money pound contained from the time of Alexander I. to that of Robert Bruce, a pound of silver of the same weight and fineness with the English pound sterling. Originally all English, French, and Scots pennies contained a real pennyweight of silver, the twentieth part of an ounce, and the two hundred and fortieth part of a pound. From an ancient statute of Henry III. it would seem that the shilling was originally the denomination of a weight; "*When wheat is at twelve*

twelve shillings per quarter," says that statute, "*then wastel bread of a farthing shall weigh eleven shillings and four-pence.*" The proportion, however, between the penny and the pound, seems to have been more constant and uniform, than that of the shilling and and the penny, or the shilling and the pound. A shilling appears at one time among the antient Saxons to have contained only five pennies. The French sous, or shilling, during the first race of the kings of France, appears to have contained sometimes five, twelve, twenty, and forty pennies.

From the time of Charlemagne among the French, and from that of William the Conqueror among the English, the proportion between the pound, the shilling, and the penny, seems to have been uniformly the same as at present, though the value of each has been very different; for "the avarice and injustice of princes and sovereign states," says a celebrated writer, "abusing the confidence of their subjects, have by degrees diminished the real quantity of metal, which had been originally contained in their coins." In the latter ages of the Republic, the Roman As, was reduced to the twenty-fourth part of its original value, and weighed only half an ounce. The English pound and penny contain at present

but

but a third only; the Scots pound and penny about a thirty-sixth, and the French pound and penny about a sixty-sixth part of their original value *. Such artifices have always proved favourable to the debtor, and ruinous to the creditor, and have often produced calamitous revolutions in the fortunes of families.

The Athenians had three kinds of money; but it does not appear that they had any paper currency. They first coined silver, and afterwards gold; copper was introduced about the middle of the third century before the Christian æra †.

Among their copper coin were pieces worth only the eighth part of an obolus, or three-fourths of a farthing. Their largest gold coin weighed two drachmas, and was worth twenty

* Smith on the Wealth of Nations, vol. i. p. 41.

† The following table shews the value of silver Athenian coins:

Drachma—nine-pence English.
Didrachma, or double drachma.
Tetradrachma, or quadruple drachma.
Semiobolus—sixpence.
Obolus—four-pence halfpenny.
Two oboli—three-pence.
Three oboli—three halfpence.
Four oboli—three farthings.

Isocr. in Trapey, p. 458.

silver

silver drachmas, about fifteen shillings of our money. Gold was at one period very scarce in Greece. It was brought from Lydia, and other parts of Asia Minor; from Macedonia, where the peasants daily collected the small pieces which the rains washed down from the neighbouring mountains, and from the Island of Thasos, which were formerly discovered by the Phœnicians. It would seem that gold was more commonly used by the Athenians to make ornaments for the women and offerings to the gods, than for the purposes of coin. Two events rendered gold more common about the middle of the fourth century before the Christian æra. Philip, king of Macedon, being informed that there were in his dominions gold mines which had anciently been worked, but since abandoned, he caused those near Mount Pangæus to be opened, and this undertaking exceeded his most sanguine expectations; for that prince, who before possessed only a small phial of gold which he placed every night under his pillow, drew annually from these mines more than a thousand talents, or above fifty-eight thousand pounds sterling. The Phocians at the same time carried off from the treasure at Delphi the golden offerings which the kings of Lydia had sent to the Temple of Apollo, and the quantity of

that

that metal was so great in Greece, that its proportion to silver was no longer one to thirteen, as it had been a century before, nor one to twelve as it was some time after, but only one to ten *.

Let us now make a few cursory observations on the interest of money.

OF INTEREST.

The interest, or sum paid for the use of money, being fixed by law in our own country, cannot be varied by individuals. No man can legally take more than five per cent. per annum for the use of his money; and though many persons might be willing to give, and others to lend at ten or twelve per cent. yet such transactions being contrary to law, could not legally take place. Though at first sight this restraint seems contrary to the principles of a free trade in a free country, yet we must admit that a law of this kind in a commercial country is dictated by the soundest policy.

* Abbé Barthelemi's Anacharn. vol. iv. p. 374.

A law

A law of this kind must not be considered as an arbitrary edict, as it is in fact founded on the actual state of the currency of a country, and bears a relation to the market price of money. In 1766, the king of France attempted to reduce the rate of interest from five to four per cent.; but this being below the ordinary market price, the law was evaded in several different ways, and money continued to be lent in France at five per cent. In some countries the interest of money has been prohibited by law; but this regulation only served to promote the evil of usury or very exorbitant interest.

Nothing surely can be more just, than to pay for the use of money, of which something can every where be made. The custom of paying interest is indeed of great antiquity. The Athenians had two kinds of usury, as it is termed, but more properly speaking, of interest, or modes of lending money at interest; the one was called Maritine, when they lent money to merchants to employ in trade; the other, Landed Interest. When a person lent his money at maritine interest, the sum which he received was not fixed by the laws, but stipulated in a contract, deposited either in the hands of a banker, or some friend to both parties.

parties. If for instance a voyage was to be made to the Cimmerian Bosphorus, the instrument specified the time of the sailing of the vessel, the kind of commodities with which she was to be freighted, the sale which was to be made of them in the Bosphorus, and the merchandize to be brought back to Athens; and as the duration of the voyage was uncertain, sometimes they agreed that their money should not be paid till the return of the vessel: others, more timid, and contented with a smaller profit, required that it should be repaid at the Bosphorus, immediately after the sale of the goods carried out; in which case they either repaired to the place where they were to receive it, or appointed an agent to receive it. The lender had his security either on the merchandize or the goods of the borrower; but as the dangers of the sea were in part risked by the former, and the profit of the latter might be very considerable, the interest of money thus lent might rise as high as thirty per cent. more or less, according to the length and hazards of the voyage. The landed usury was more oppressive and not less variable. Those who without risking the dangers of the sea wished to derive profit from their money, lent it to bankers, or other persons, at the rate

of twelve per cent. per annum *, or rather one per cent. for every new moon †.

As the laws of Solon did not prohibit those who had money from demanding the most extravagant interest for it; we are told, that sometimes persons ‡ received more than sixteen per cent. monthly; and others, especially among the lower classes of people, exacted every day the quarter of the principal §.

Before the discovery of the Spanish West Indies, ten per cent. appears to have been the common rate of interest through the greater part of Europe. Since that time it has sunk to six, five, four, and three per cent. From observing this fact, Mr. Locke, Mr. Law, Montesquieu, and other writers have imagined that the real cause of the lowering of the rate of interest throughout Europe, was to be attributed to the increase of gold and silver, which took place on that event. Those metals, they say, having become of less value themselves, the use of any particular portion of them necessarily became of less value too,

* Demosth. in Aphob. p. 900. Id. in Pantæn. p. 988. Æschin. in Ctesiph. p. 444.

† Aristoph. in Nub. v. 17.

‡ Plat. de Repub. lib. viii. vol. ii. p. 225.

§ Theophr. Charact. cap. 6. Casaub. ibid.

and

and consequently the price which could be paid for it.

This certainly is a very plausible opinion; and as it appears to be proved by an historical fact, one cannot help being surprised that it should ever have been disputed. Mr. Hume, however, has fully refuted this notion; and he has shewn, that those who have asserted that the plenty of money was the cause of low interest, have taken a collateral effect for a cause, since the same industry which sinks the interest, does commonly acquire great abundance of the precious metals. A variety of fine manufactures, with vigilant enterprising merchants will soon draw money to a state, if it be any where to be found in the world. The same cause, by multiplying the conveniences of life, and encreasing industry, collects great riches into the hands of persons, who are not proprietors of land, and produces, by that means, a lowness of interest. But though both these effects, plenty of money and low interest, naturally arise from commerce and industry, they are altogether independent of each other: For suppose a nation removed into the *Pacific Ocean*, without any foreign commerce, or any knowledge of navigation; suppose that this nation possesses always the same stock of coin, but is continually

nually encreasing in its numbers and industry, it is evident, that the price of every commodity must gradually diminish in that kingdom, since it is the proportion between money and any species of goods, which fixes their mutual value; and upon the present supposition the conveniences of life become every day more abundant without any alteration in the current specie. A less quantity of money, therefore, among this people, will make a rich man, during the times of industry, than would suffice to that purpose in ignorant and slothful ages. Less money will build a house, portion a daughter, buy an estate, support a manufactory, or maintain a family and equipage. These are the uses for which men borrow money, and, therefore, the greater or less quantity of it in a state has no influence on the interest. But it is evident, that the greater or less stock of labour and commodities must have a great influence, since we really, and in effect, borrow these when we take money upon interest. It is true when commerce is extended all over the globe, the most industrious nations always abound most with the precious metals. So, that low interest and plenty of money, are, in fact, almost inseparable. But still it is of consequence to know the principle whence any phenomenon arises,

arises, and to distinguish between a cause and a concomitant effect. Besides, that the speculation is curious, it may frequently be of use in the conduct of public affairs. At least it must be owned, that nothing can be of more use, than to improve, by practice, the method of reasoning on these subjects, which, of all others, are the most important, though they are commonly treated in the loosest, and most careless manner *.

Interest, in Rome, fell from six to four per cent. after the conquest of Egypt. In Tiberius's time, it again rose to six per cent. though no accident had happened to drain the empire of money. In Trajan's time, money was lent on mortgages in Italy at six per cent. † In Bithynia, on common securities, at twelve per cent. ‡

It is an observation of very considerable importance, that the ordinary market price of land, depends every where upon the ordinary market rate of the interest of money. When interest was at ten per cent. land was commonly sold for ten and twelve years purchase. When interest sunk to six, five, and four per cent. the price of land rose to twenty, twenty-

* Essay IV. on Interest, p. 76.

† Columella, lib. iii. cap. 3.

‡ Plinii Epist. lib. vii. ep. 18. Note. Cicero tells us that Brutus lent money in Cyprus at 48 per cent.

five,

five, and thirty years purchase. The market price of interest is higher in France than in England, and the common price of land is lower. Before the war, the common price in France was estimated at twenty; in England, at thirty years purchase. That land has kept its high price during the war may perhaps be attributed to the good effects of Country Banks; thus the landed as well as monied interest has felt their influence.

The high price of land, during the war, is a phenomenon in politics, of which I have not hitherto met with any explanation. All persons have been astonished at it, but none, as far as I know, have explained it. From the observations which I have made on this subject in the course of this inquiry, it appears to me an established fact, that as the price of land keeps pace with the lowness of interest, or in other words, with the plentifulness of money, so that as, during the war, a plentifulness of money has every where flowed from the establishment of Country Banks, so this plenty has been the cause of the high price at which landed property has sold. In this way, perhaps, Country Banks, by the creation of money, even during the drainage of a war, may have increased the price and value of landed property. Some collateral circumstances,

stances are, however, to be taken into consideration in the examination of this question, and it may admit of very considerable doubt, whether or not this unprecedented and extraneous effect may not be attended with some equally unexpected events on the final adjustment of a general Peace. The high price of land during the war having proceeded as we have presumed from the facility of procuring money, may it not happen, that the great demand for money in many profitable undertakings at the commencement of a Peace, may, together with the return of usual crops and ordinary prices, so far lower the profits and the value of land, that we may be surprised to find it not rise on the present peace, as it has formerly done.

Having premised thus much on the nature of money, let us proceed to examine some of its effects in society. It was a shrewd observation of Anacharsis, the Scythian, who had never seen money in his own country, that gold and silver seemed to him of no use to the Greeks, but to assist them in numeration and arithmetic *. Money is only the representation of labour and commodities, it serves

* Plut. quomodo quis suos profectus in virtute sentire possit.

as

as a method of rating or estimating them; where it is in greatest plenty a greater quantity of it is required to represent the same quantity of goods. A great influx of money into a country however has advantages which might not at first sight be expected. It has been observed, that the multiplication of specie may be carried to a great extent, which will give full scope to the enterprises of trade, commerce, manufactures, and the arts; by which a country becomes enriched, civilized, ornamented, and improved, in its political existence, whilst the price of labour bears a small proportion to its increase of riches. "It is certain," says Mr. Hume, "that since the discovery of the mines in America, industry has increased in all the nations of Europe, except in the possessors of those mines; and this may justly be ascribed, amongst other reasons, to the increase of gold and silver. Accordingly we find, that in every kingdom into which money begins to flow in greater abundance than formerly, every thing takes a new face; labour and industry gain life; the merchant becomes more enterprising, the manufacturer more diligent and skilful, and even the farmer follows his plough with greater alacrity and attention."* In tracing the pro-

* Hume's Essay III. p. 48.

gress

gress of an influx of money, through a state, we shall find that it first quickens the diligence of individuals before it increases the price of labour. In the last year of Louis XIV. money was raised three-sevenths, but prices augmented only one. Corn was sold at the same price in France in 1683 and 1770, though silver was in the former year at thirty livres the mark, and in the latter at fifty, not to mention the great quantity of gold and silver which may have come into that kingdom since the former period*. It is the real interest of every state to keep its money increasing. By that means a spirit of industry is kept alive, and the stock of labour increased, which are the real power and riches of a nation. When the money of a state decreases, it is at that time weaker than another state, which possessing no more money is still increasing what it has; the one state is tending to prosperity, the other to decay. The interval which takes place before matters are adjusted to their new situation is as pernicious to industry when money is diminishing, as it is advantageous when it is increasing. The workman must pay the same price for every thing in the market, though he has not the same employment from

* Hume's Essay III. p. 51.

the

the manufacturer or merchant. The former must pay the same rent to his landlord, though he cannot dispose of his corn and cattle. It is easy to foresee the indolence, poverty, and misery which will ensue.

Let us turn from this painful picture to the state of our own country, as happily arising from that confidence which a commercial people will place in their happy Constitution, which protects the property of individuals, and renders it secure amidst all the wants of war, and necessities of the State. It is this security of private property which has supported the nation, extended its commerce, encreased its manufactures, equipped its fleets and armies, aided its enterprises, and finally crowned its efforts with an honourable peace. That the establishment of Banks in the Country has considerably tended to produce these happy effects, I shall now endeavour to shew, by examining the consequences which have arisen in all parts of the country where these establishments have taken place.

I must first premise, that all my observations apply only to that honourable system of banking which now so happily prevails throughout the country, and is carried on by gentlemen of *bonâ fide* property in firms of real respectability.

We

We shall proceed to make some observations

OF BANKS, AND THE OPERATIONS OF THE BANKING SYSTEM.

THE Bank of England, which is allowed to be the Bank of greatest circulation in Europe, was incorporated pursuant to Act of Parliament, by a Charter under the Great Seal, dated 27th of July 1694. It advanced at that time 1,200,000*l.* for an annuity of 100,000*l.* being 96,000*l.* a year interest, at eight per cent. and 4,000*l.* a year for the expence of management. During the re-coinage of the silver in 1696, the Bank discontinued the payment of its notes, which brought them into such discredit, that they were at twenty per cent. discount. Tallies had been at forty, fifty, and sixty per cent. discount. For the support of public credit, the Bank was allowed in 1697 to enlarge its capital stock by ingrafting on it 1,001,171*l.* 10*s.* Its whole capital stock therefore amounted at this time to 2,201,171*l.* 10*s.* In 1708, in pursuance of the 7th Anne, c. vii. the Bank paid into the Exchequer the sum of 400,000*l.* making in all the sum of 1,600,000*l.* which it had advanced upon its original

original annuity of 96,000*l.* interest, and 4,000*l.* for expence of management. In pursuance of the same Act, the Bank cancelled Exchequer Bills to the amount of 1,775,029*l.* 17*s.* 10½*d.* at six per cent. interest, and was at the same time allowed to take in subscriptions for doubling its capital. In 1708 therefore the capital of the Bank amounted to 4,402,343*l.* and it had advanced to Government the sum of 3,375,027*l.* 17*s.* 10½*d.* In 1709, by a call of fifteen per cent. there was paid in and made stock 656,204*l.* 1*s.* 9*d.* and in 1710, by another of ten per cent. 501,448*l.* 12*s.* 11*d.* In consequence of those two calls, then the capital of the Bank amounted to 5,559,995*l.* 14*s.* 8*d.** In pursuance of the 3d Geo. I. c. 8. the Bank delivered up to be cancelled two millions of Exchequer Bills. At this time, therefore, it had advanced to Government 5,375,027*l.* 17*s.* 10*d.* The Bank purchased of the South Sea Company, in pursuance of the 8th Geo. I. stock to the amount of 4,000,000*l.* and in 1722 its capital stock was increased by 3,400,000*l.* in consequence of the subscriptions which it had taken in to enable it to make this purchase. The Bank then had advanced to the public at this time 9,375,027*l.* 17*s.* 10½*d.* and

* Postlethwayt's Hist. of the Revenue, p. 301.

its

its capital stock amounted only to 8,959,995*l.* 14*s.* 8*d.* It was now that the Bank began to have an undivided capital over and above its divided one, and it has continued to have an undivided one of the same kind ever since. The Bank in 1746 had, upon different occasions, advanced to the public 11,686,800*l.* and its divided capital had been raised by different calls and subscriptions to 10,780,000*l.* In pursuance of the 4th Geo. III. c. 25. the Bank paid to government for the renewal of its charter 110,000*l.* without interest or repayment. This sum therefore did not increase either of the two other sums. The Bank dividends have varied according to the rate of interest received for money advanced to the public, and other circumstances, from eight to three per cent. The Bank dividends for some years have been at five and a half per cent. The Bank of England not only acts as an ordinary Bank, but it must be viewed as a great engine of state. It advances to government the annual amount of the land and malt tax, it circulates exchequer bills, receives and pays the greater part of the annuities which are due to the creditors of the public, and in various other ways aids the operations of government.

On several occasions the Bank has supported the

the credit of the principal houses in England, Hamburgh, and Holland. It likewise discounts merchants' bills. The operations of this Bank during the war are too well known to require any detail in this place. By a late act of parliament it has been provisionally empowered to pay all demands upon it in its own paper.

The invention of Bank credit, as it is called in Scotland, has tended much to the prosperity of that country. It is the practice in Edinburgh and Glasgow for the merchants to open an account at a Bank, by getting some one to join as their surety in a security to the amount they require---suppose five thousand pounds. This money, or any part of it, he has the liberty of drawing out whenever he pleases, and he pays only the ordinary interest for it, while it is in his hands. He may when he pleases repay any sum, so small as twenty pounds, and the interest ceases on the day of repayment. The advantages of this contrivance, says Mr. Hume, are manifold---" as a man may find surety nearly to the amount of his substance, and his Bank credit is equivalent to ready money, a merchant does hereby in a manner coin his houses, his household furniture, the goods in his warehouse, the foreign debts due to him, his ships at sea, and

can

can upon occasion employ them in all payments, as if they were the current money of the country. If a man borrows five thousand pounds from a private hand, besides that it is not always to be found when required, he pays interest for it whether he be using it or not; his Bank credit costs him nothing except during the very moment in which it is of service to him. And this circumstance is of equal advantage as if he had borrowed money at much lower interest. Merchants likewise, from this invention, acquire a great facility in supporting each other's credit, which is a considerable security against bankruptcies. A man, when his own Bank credit is exhausted, goes to any of his neighbours who is not in the same condition, and he gets the money, which he replaces at his convenience *."

The practice of the Country Banks in Yorkshire, and I believe in most parts of England, is very much like the Bank Credit in Scotland. The Bankers advance sums on the joint note of any two traders, or persons of credit. The usual period of the bill is one or two months, and many Banks will discount bills of this kind at two months date, for one

* Essay V. of the Balance of Trade, p. 96.

month's

month's interest, which is in fact to lend money at two and a half per cent. interest.

"A paper money consisting in bank notes, issued by people of undoubted credit, payable upon demand without any condition, and in fact always readily paid as soon as presented, is in every respect equal in value to gold and silver money, since gold and silver money can always be had for it. Whatever is bought or sold for such paper, must necessarily be bought or sold as cheap as it could have been for gold and silver*." A paper money consisting of bills of exchange, or promissory notes, payable at a future day, might have a different operation, as such paper would bear a discount, and not be convertible into ready money without a loss to the holder; such paper, therefore, would not have the same consequences on the circulating medium as cash.

It was some years ago the custom in Scotland for some of the banking companies to insert into their bank notes what they called an optional clause, by which they promised payment to the bearer, either as soon as the note should be presented, or in the option of the directors, six months after such present-

* Smith's Wealth of Nations, vol. i. p. 490.

ment

ment, together with the legal interest for the said six months. It will readily be supposed, that such a practice degraded the currency of these banking companies, and sunk it below the value of gold and silver.

During the continuance of this abuse, in 1762, 1763, and 1764, while the exchange between London and Carlisle was at par, that between London and Dumfries would sometimes be four per cent. against Dumfries, though this town is only thirty miles from Carlisle. But at Carlisle, bills were paid in gold and silver, and at Dumfries in Scotch bank notes---the uncertainty of getting gold and silver coin for those bank notes had degraded them four per cent.

These optional clauses were very wisely abolished by that act of parliament which suppressed ten and five shilling bank notes, by which means the exchange between Scotland and England was restored to the fair rate which the course of trade and remittances happen to make it. These optional clauses found their way into Yorkshire, and we smile to read as a clause in a bank bill for sixpence, that the bearer must bring change for a guinea, as the condition of receiving the cash. Notwithstanding the prohibition by act of parliament, I am told that notes for half a guinea

are at present circulated at Sheffield, and some of the large towns in the West Riding of Yorkshire. The paper currencies of North America consisted of a government paper, not payable to the bearer on demand, but the payment of which could not be demanded till several years after it was issued; and the colony governments, though they paid no interest to the holders of this paper, declared it to be a legal tender of payment for the full value for which it was issued. Such an act of injustice, such want of security in the property of a state, as might have been foreseen, depreciated the currency to an astonishing degree. It appeared from the course of exchange with Great Britain, that one hundred pounds sterling was considered as equivalent to one hundred and thirty pounds, and in others even to eleven hundred pounds currency---this difference arising from the different quantities of paper circulated in different colonies, and the period and probability of its final discharge and redemption. In the course of the French Revolution we have seen great changes in their paper currency. In the year 1792 I received at Paris one hundred and sixty pounds in assignats, for one hundred pounds sterling, and though the price of most things was regulated by the worth of the louis-

d'or

d'or in assignats, yet many things bore only the paper price. Amongst these, posting was to the traveller a material article. Assignats were at that time received in payment as cash at all the posts; and in a journey from Calais through Paris to Geneva I saved many pounds, by providing myself with assignats, instead of gold or silver coin. Books were sold for paper currency, and I availed myself of this circumstance by the purchase of several editions of French authors, with which I had an opportunity of obliging my friends in England. In considering the effects of a paper currency, it must be remembered, that whilst the trade and commerce of any place continue the same, the whole paper money of every kind, which can easily find circulation in it, can never exceed the value of the gold and silver, of which it supplies the place. To increase the circulation, it will be necessary to increase the trade ---hence the beneficial effects of those Banks in all countries, which enable the trader and merchant to extend their concerns.

It is very evident that the system of banking multiplies prodigiously the specie of the country; when from the confidence placed in the character and responsibility of any particular firm, its promissory notes have the same currency as gold and silver money. The stock

added

added to the capital of the community is precisely to the extent of its issues, over and above the sum necessary to be kept in its coffers, for the purpose of answering the demands of those who prefer, or have occasion for coin, instead of its paper.

It would not be very easy to calculate the precise sum necessary for this purpose, but it is very readily seen that a small comparative sum may, on most occasions, be sufficient. By the introduction of paper, therefore, a very large sum can be spared. Let us suppose that the whole circulating money of Yorkshire amounts to two millions sterling, which sum is found to be sufficient for circulating the whole annual produce of land and labour. Let us take the issues of all the bankers in that country at two millions in promissory notes payable in cash, on demand; to answer which sum, suppose that they have in their coffers four hundred thousand pounds. There would then be sixteen hundred thousand pounds in gold and silver, and two millions of their bank notes, or thirty-six hundred thousand pounds of paper and money together. The goods to be bought and sold remaining precisely the same, two millions of money will be sufficient for buying and selling them; the overplus, or sixteen hundred thousand pounds thus created, being

being over and above what is wanted in that part of the country, will be at hand for the profitable purposes of trade and commerce.

As the paper cannot go abroad, where the money seeks for a profit in foreign trade, gold and silver, or bills of exchange will be employed. If the money thus added to the trading capital on the credit of the Yorkshire Bankers be employed in purchasing goods in a foreign country, to supply the consumption of another, or in what is called the carrying trade, whatever profit they make will be an addition to the neat revenue of their own country. It is in fact a new fund, raised for the purpose of carrying on a new trade, the gold and silver being converted into a fund for this new trade, by the contrivance of transacting the business of the country by means of paper currency.

If the money be employed in purchasing foreign goods for home consumption, it may either procure a return of foreign wines, foreign silks, &c. or it may purchase an additional stock of materials, tools, and provisions, which may serve to maintain and employ an additional number of industrious people, who re-produce with a profit, the value of their annual consumption. The latter is the most usual way in which the gold and silver is employed

ployed, that is thus forced abroad by the operations of banking, in purchasing foreign goods for home consumption. "When paper," says a great writer, "is substituted in the room of gold and silver money, the quantity of the materials, tools, and maintenance, which the whole circulating capital can supply, may be increased by the whole value of gold and silver which used to be employed in purchasing them. The whole value of the great wheel of circulation and distribution, is added to the goods which are circulated and distributed by means of it. The operation in some measure resembles that of the undertaker of some great work, who in consequence of some improvement in mechanics, takes down his old machinery, and adds the difference between its price and that of the new to his circulating capital, to the fund from which he furnishes materials and wages to his workmen *."

When the gold and silver necessary for circulation, is reduced by the substitution of paper to perhaps a fifth part of the former quantity, if the value of only the greater part of the other four-fifths be added to the funds appropriated for the maintenance of industry, a very considerable addition will be made to

* Smith on the Wealth of Nations, vol. i. p. 441.

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the quantity of that industry, and consequently to the value of the annual produce of land and labour. How desirable then for every country to have these advantages? What a source of wealth and happiness are we now contemplating? To those whose prejudices will call these facts visionary theories, I will produce historical truth in support of my argument. The doctrine was first verified in Scotland, where the business of the country has for forty years been carried on by means of the paper currency of different banks; and what country, let me ask, has flourished so much in so short a time? In Scotland the whole face of the country has been changed; beautiful cities, elegant towns, comfortable villages, fertile fields, increased population, thriving manufactories, extensive commerce, and a happy people have arisen. We need not heighten the colouring of this picture by the recollection of rags and beggary of former times. It is asserted, and the fact is pretty well established, that the trade of Glasgow doubled in about fifteen years after the first erection of the banks there, and that the trade of Scotland has more than quadrupled since the first erection of the two public banks at Edinburgh.

The Bank of Scotland was established by act

act of parliament in 1695: the other, called the Royal Bank, by royal charter in 1727. Whoever has been in Scotland knows that, notwithstanding the appearances which denote real wealth, no coin but that of copper is common; gold and silver are scarcely visible; it is even difficult sometimes to get silver in change of a twenty shillings Bank Note. Purchases and payments of all kinds are commonly made in paper.

The whole paper money which can find a ready circulation in any country, never can exceed the value of the gold and silver of which it supplies the place, or which, commerce being the same, would circulate there, if there was no paper money. Should the circulating paper at any time exceed that sum, it must immediately be returned to the banks that issued it, to be exchanged for gold and silver, since the excess could neither be sent abroad, nor employed in the circulation of the country. To those who imagine that the Country Banks are mere paper mills which can issue an indefinite number of sheets, these observations may afford some consolation. Nothing is more demonstrable than that a superfluous issue of paper would cause a run upon the bank which issued it. On their own account, therefore, Country Bankers are obliged

obliged to be careful in balancing the amount of their issues. Let us suppose that all the paper of a particular bank which can be easily employed in the circulation of the country, amounts to exactly eighty thousand pounds, and to answer this demand, this bank has at all times twenty thousand pounds of gold and silver in its coffers, let this bank attempt to circulate eighty-eight thousand pounds, the surplus of eight thousand pounds above what the circulation can easily employ, would return upon it almost as fast as they were issued. To answer its occasional demands, this bank must in that case keep an additional sum in readiness, equal to the surplus issue; instead of twenty, it must keep twenty-eight thousand pounds at hand, which as it would increase the expence, and diminish the profits of the firm, no judicious bankers would ever continue to do. It follows then that the safety of the public is connected with the real interest of the bankers; and it may be worth while to observe, that the multiplication of banking companies, so far from being an evil, is itself a good, as it increases the security of the public, by obliging all of them to be very circumspect in their conduct, and not extend their issues beyond a due proportion to their cash, to prevent those heavy and malicious

runs,

runs, which are often occasioned by rival competitors; the consequences of a failure of any one company become less injurious to the public, and a free competition will induce the bankers to be liberal in their transactions with their customers.

It being true that the Country Banks can only issue as much paper currency as will supply the place of the coin, which would otherwise be required for the same purposes of circulation, it follows that to render a bank profitable, the money thus obtained on the credit of the firm, must be employed; if it were all to lie dead in the coffers of the banking shop, it might as well lie in the coffins of the churchyard; it would be as effectually withdrawn from the circulating mass. What is employed in circulation alone yields a profit; hence it follows, that the smaller quantity of coin with which a banking-house can carry on its business, the greater good it does to the community. Suppose the issue of a house to be precisely fifty thousand pounds, if to answer that issue fifty thousand pounds in coin were always ready in a chest to answer the demand of every holder of the notes, it is evident that no profit could arise from such issue; nothing would be gained by the bank; nothing would be added to the public stock. Suppose again, that to

answer

answer the issue of fifty thousand pounds, five or ten thousand pounds in specie should be kept ready in an unproductive state, then forty or five and forty thousand pounds would in this way be added to the capital stock of the nation, and as effectually added by the circulation of this country paper, as by the importation of an equal quantity of gold and silver from the mines of Peru. In this point of view then every Country Bank must be considered as a mine to the kingdom, and the bankers as the workers of this mine for the public good. As they can only make a profit by employing their capital in some way or other, and in whatever way money is employed, it is of use to some part of the community, so it follows that the greater their profits, the greater good results to the public. We never need be afraid of too great a circulation, for the market will not admit of a surplus; the only danger is, that the profits of the bank should fail; and as the best concerted projects will sometimes miscarry, so it may happen that the large speculations into which bankers, as well as merchants sometimes enter, may prove unsuccessful. Even in such a case, if the partners of the firm had assets, no holder of a bill would in the end be a loser, since the law secures their claim, wherever there is a property. That fail-

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ures of this kind may have sometimes been attended with calamitous circumstances cannot be denied; but whilst the law protects, as it now does, the claims of the holders of Country Bank Notes, and whilst gentlemen of great property and well known integrity engage in these concerns, there is no very great danger from the generality of Country Banks. Security is the primary object of the bankers; and their interest and that of the public is so intimately connected, that it will very rarely happen that they will be tempted to engage in visionary projects, when their sure, safe, and real profits are so large.

The country is much indebted to gentlemen of large landed property for emerging from the indolence of their forefathers, and entering into the commercial concerns of a Bank. They have given a degree of respectability to these undertakings, at the same time that they have added to the confidence and security of the people; yet notwithstanding the certainty of the intrinsic value of the notes issuing from a Bank of this kind, it is surprising to see what a panic has sometimes suddenly seized a whole country, arising from the prejudices of the people, or sometimes from the jealousies, or illiberal arts of rival competitors.

About the commencement of the War, it may

may be remembered that a great alarm was excited, and if it had not been for the stand made at that time by many bankers of large landed property, the country might have lost all the benefits which it has since derived from these institutions. A Bank in Yorkshire had at that time a run upon it, which created as much clamour, confusion, and bustle, as the invasion of a foreign enemy could have done. A sudden panic having seized the holders of the bills of this Bank, all the carriages, carts, horses, and even asses, were put in a state of requisition; and though every holder of a guinea bill knew that one of the partners had a landed estate of above twenty thousand pounds in the neighbourhood of the Bank, they clamorously demanded cash for his promissory notes; and the security of twenty thousand pounds a year, with the collateral security of the other respectable partners of this firm, was not deemed sufficient, in the minds of the poor, terrified, ignorant persons. Clamours of this kind are much to be deprecated; and the promoters of them should be severely punished.

It is the duty of every man who has the welfare of his country at heart, to place a rational confidence in the respectability of character. Whilst our provincial Banks maintain

tain the confidence of the public, and by an unsullied integrity and by a liberal accommodation to the mercantile part of the community, promote the industrious endeavours of an enterprising people, it will be impossible for the empire of Great Britain to be outrivalled in her commerce. By extending the trading capitals of the merchants, the wealth of the country is put into a progressive state of improvement, and from the largeness of the capitals employed in trade, we must command a great superiority over other nations.

Whatever tends to increase the mass of industry and quantity of labour, must have a material operation on the state of society. The industrious poor, when they can have work, will never be burdensome to their parishes; hence amongst the good effects may be reckoned the tendency of these establishments to diminish the poor rates. And here I cannot help expressing the hope that some regulation or modification of the system of poor laws may soon be effected. By removing the difficulties of gaining a settlement, many hardships to the poor, and very expensive litigations and oppressions might be prevented to parishes. Certificates should be abolished, and every honest, industrious man, married or single, should be at liberty to settle wherever he could gain a livelihood;

livelihood; by which means the scarcity of hands in one parish, would be relieved by the superabundance in another. The law of settlements as it now stands, is a public grievance, which the wisdom of parliament would do well to take into its serious consideration. The great increase of population, and the encouragement necessary to be given to industrious artists and labourers, most especially on the conclusion of a war, imperiously call on the legislature for its immediate attention to this subject.

The populousness of ancient nations is a theme which has occupied the attention of many philosophic writers, and notwithstanding the investigation which it has received, it appears to be involved in much obscurity. Mr. Hume, unable to account for the amazing population of some parts of Greece, as described by some authors, boldly ventures to assert, that there is often a mistake in the arithmetical figures of the ancients; and in one instance he tells us, that we should read only forty thousand, instead of four hundred thousand. Athenæus says, that by the enumeration of Demetrius Phalereus, there were in Athens 21,000 citizens, 10,000 strangers, and 400,000 slaves. This number is much insisted on by those who are advocates for the extreme

extreme populousness of the ancients, but the arguments of Mr. Hume carry with them great probability. There can be no doubt however that the free states of Greece were extremely populous. Egypt and Rome were likewise well peopled. Pliny* tells us, that Seleucia, the seat of the Greek empire in the East, contained 600,000 people; and Carthage is said by Strabo† to have contained 700,000. The cities of Pekin, Paris, and Constantinople, are supposed to contain about the same number at present.

A circle of two hundred miles radius drawn from Dover or Calais would comprehend London, Paris, the Netherlands, the United Provinces, and some of the best cultivated parts of France and England. Perhaps we might safely affirm with Mr. Hume, that no spot of ground can be found in antiquity, of equal extent, which contained near so many great and populous cities, and was so stocked with riches and inhabitants. To balance in both periods the states which possessed most art, knowledge, civility, and the best police, seems the truest method of comparison, and in this point of view it will appear, that the moderns have the superiority.

* Lib. vi. cap. 28. † Lib. xvii.

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Were it possible for the prolific virtue of man to act in its full extent, the number of the human species would perhaps be doubled in every generation. Poverty and necessity impose restraints, which in some countries are so great as to prevent an increase. Such countries require a supply from others, where a happier state of things prevail. Poverty, it must be admitted, does not prevent generation, neither does it altogether exclude marriage. In Ireland, and in the Highlands of Scotland, the lower orders of people marry at a very early age, and the women bring forth many children; but it has been remarked, that in the Highlands of Scotland in particular, it is not uncommmon for a mother who has borne twenty children, not to have two alive. In Ireland likewise the children of the cottars look very sickly, and though from the readiness with which they are supplied with milk and potatoes, proper food of infants, many live over the period of childhood, yet when nature requires a more substantial food, and more expensive clothing, those who are not so fortunate as to be otherwise provided for either by entering into the service of their richer neighbours, or the service of the state, generally fall victims to maladies of some kind or other. Poverty being thus unfavour-

able to the rearing of children, it follows that whatever tends to ameliorate the comforts and situation of the poor, must be politically viewed as one great cause of the populousness of a country; and in this point of view, I consider the institutions we are viewing, as of great national importance. All animals multiply naturally in proportion to their means of subsistence, and no species can ever multiply beyond it. In civilized society the scantiness of subsistence among the lower ranks of the people sets a limit to the multiplication of the human species, by destroying a great part of the children produced by their fruitful marriages. When labour is to be had and is liberally rewarded, the lower orders are enabled to provide better for their children. A greater number is consequently reared, and added to the national stock of population. It necessarily does this too as nearly as possible in the proportion which the demand for labour requires. In this point of view we may consider the institutions which tend to set it in motion, the manufactures of a country, as inventions for the multiplication of the human species, and the propagation of intellectual beings; they are the creative powers of thought, happiness, and moral existence. Without such fostering establishments, life would decay, and society

society wither at its root. With such aid the demand for man increases, and the reward of labour necessarily encourages the marriages and multiplication of labourers, so that a continual increasing demand is supplied by a continually increasing population. An increase of wealth produces the liberal reward of labour, which is the cause of increasing population. To complain of it, is to lament over the necessary cause and effect of the greatest public prosperity.

The present flourishing state of America affords a strong proof of this doctrine. From the address of the president Mr. Jefferson to the representatives, just published, it appears that from the census taken of the population for a period of ten years, the whole population of that extensive country will be doubled in about twenty-two years. Throughout the greater part of Europe the number of inhabitants is not supposed to double in less than five hundred years.

Agriculture, manufactures, and foreign commerce, are the three great sources of riches to a nation, and on all of these we see the action of the establishments we are considering. According to the natural course of things the lands are first cultivated; but as we do not live in a state of nature, we must not look for

for natural orders alone in the present state of society. Accordingly we find that the cultivation of lands in many commercial counties has not kept pace with the extension of its commerce; but there is a species of re-action which has an effect on the agriculture of a country, and it is very observable in many parts of Great Britain, where we find the inhabitants of a sea-port, or large trading town, grown rich by trade, begin to turn their attention to the improvement of the country adjacent to such towns. Every one who has travelled through the different counties of England and Scotland, must have noticed these improvements. Agriculture may, therefore, in these cases, be said to owe its improvement to the increase of manufactures, or foreign commerce. In other instances, manufactures have been the offspring of agriculture. The manufactures of Leeds, Halifax, Sheffield, Birmingham, &c. are of this kind. The cheapness of living in those places, appears to have induced the manufacturers to settle in those parts of the country. The workmen found that in those places, by their industry, they could procure more of the necessaries and conveniencies of life, than in other places. By working up the materials of manufacture which the land produces, and exchanging their finished work for more materials

terials and provisions, or what is the same thing, for the price of them, they give a new value to the surplus part of the rude produce, and furnish the cultivators of the land with something in exchange. Thus the farmer and manufacturer are mutually encouraged by each other's industry, and enabled to increase this surplus produce by a further improvement in the cultivation of the land. And as the fertility of the land gave rise to the manufacture, so the extension of the manufacture re-acts upon the soil, and increases the produce of the farm. When manufactures have arrived at a considerable degree of perfection, the price of a great quantity of rude produce is frequently contained in a small bulk. A piece of cloth, for instance, which weighs one hundred pounds, when it reaches the Cloth Hall at Leeds, contains not only the price of one hundred pounds of wool, but of many quarters of corn, pounds of meat, and pots of beer, the maintenance of the different working people, and of the persons immediately employing them.

The produce of agriculture then, in the form of corn, cattle, and malt liquor, is in this manner in the shape of complete manufacture; a finished bale of cloth, virtually exported, and may be sent to any corner of the world. In the history of modern times, the manufac-

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tures which have sprung from foreign commerce, have generally been sooner extended and improved, than those which were the offspring of agriculture. The English manufacture of fine cloths made of Spanish wool, was famous for above a century before any of those which now flourish in the above-mentioned places were fit for a foreign market. The improvement and extension of these arose from the extension and improvement of agriculture, the last and greatest effect of foreign commerce, and of the manufactures immediately produced by it. The commerce and manufactures of large towns, instead of being the effect, have been the cause of the improvement and cultivation of the country. To this sort of re-action of the prosperity of the towns on the face of the country, we may attribute the great improvements which have lately been made, and are now making, in the neighbourhood of Hull, Liverpool, Gainsborough, and other trading towns. They are peculiarly remarkable in the vicinity of the latter, which is a small inland town on the banks of the navigable river Trent, inhabited by very wealthy, respectable, and industrious merchants, who, as well as the carrying trade to London and the coast, carry on a very considerable trade to the Baltic and other places, for which even during

during the war they have derived great wealth, which has lately been employed in improving the agriculture of the adjacent country. Sandy heaths and marshy bogs have been converted into fertile fields, and several extensive inclosures have been undertaken, to the great advantage of the country, and profit of individuals, which improvements have been greatly promoted by the Banks of that thriving town. To purchase land has been, till lately, every where in Europe, a most unprofitable employment of a small capital.

It has been remarked that the improvements in the agriculture of Great Britain have by no means kept pace with the advances of commerce and manufactures, but the rapid progress of a few years, shews the attention which has been paid to this source of wealth.

It is probable that the greatest part of the country was in a state of cultivation before the reign of Elizabeth; but the improvements in every part of agriculture, and the science of farming are of modern date and rapid growth. The plentifulness of ready money, it cannot be doubted, has greatly contributed to this desirable object. No country in which the right of primogeniture takes place, which pays tithes, and where, though contrary to the spirit of the law, perpetuities are admitted in some

some cases, can give more advantage to agriculture than England does. The attention lately given by several patriotic noblemen and gentlemen, has produced advantages not to be appreciated; but they are only secondary causes which serve to put into motion the cash manufactories of the respective counties.

The state of agriculture in France previous to the Revolution, was certainly inferior to that of England. We are told by Guicciardin, that before the invasion of Charles VIII. Italy was cultivated in the most barren and mountainous parts of the country, as well as in the fertile plains. Nothing in my opinion can shew the real wealth of a commercial nation so much, or prove it so clearly, as improvements in agriculture. It is the real demonstration of wealth, realized by trade and commerce; for the profits of agriculture in general are so small, when compared with the profits arising from trade and commerce, that when we observe the reaction before mentioned, we may be assured that the increase of wealth has given rise to these improvements.

No part of the wealth obtained by merchandize, can properly be said to belong to any particular country, till it has spread itself over the face of that country in buildings, or the durable improvement of lands. The great

wealth

wealth said to have been possessed by some of the Hans Towns, and of which we read in the obscure histories of the thirteenth and fourteenth centuries, has totally disappeared, and it is not thoroughly ascertained where some of them were situated, or to what towns in Europe the Latin names given to some of them belong. Lombardy and Tuscany are still reckoned among the most populous and best cultivated countries in Europe, though the troubles of Italy in the end of the fifteenth and beginning of the sixteenth centuries, greatly diminished their commerce and manufactures. The great trade of Antwerp, Ghent, and Bruges, was driven from Flanders by the civil wars, and the bad policy of the Spanish government which succeeded; yet Flanders is at this time one of the richest, most populous, and best cultivated parts of Europe. From the observations which I was able to make in passing through the Pays-Bas, Holland, Lombardy, Tuscany, and various parts of Italy, the Austrian Netherlands appeared to me the most fertile and best cultivated, but Holland the most populous.

The revolutions and wars of governments not unfrequently exhaust or annihilate the springs of riches which flow from trade and commerce; but the wealth derived from the

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more solid improvements of agriculture, will resist the convulsive shocks of barbarous hostility, as we learn from the history of the fall of the Roman empire in the western provinces of Europe.

It is truly grateful to the feelings of every patriotic breast, to observe the progress which of late years has been made in the agriculture, manufactures, and commerce of Great Britain; and, in tracing the effects, we are gradually led to an examination of the causes; amongst which the establishment of Country Banks holds a primary place. To those who think we mistake an effect for the cause, and would willingly attribute the rise of the Banks to the previous increase of money derived from the flourishing state of the manufactures and commerce, we would produce Scotland as the instance of the cause preceding the effect. In that country, no sooner had the banking system began to operate, than its effects were observable. The Bankers, by advancing money to their customers, enabled them to increase their trading capitals, by which means more hands were employed, the mass of industry increased, and the natural consequence of this order of things, were observable in the opulence which followed. This will serve to shew that we have not mistaken an effect for a cause.

cause. The operations of banking are creative of wealth; for wherever a Bank can flourish, it will convert the product of industry into money.

It may not be amiss to pursue this enquiry, by making some observations on the nature and effects of war on the productive capital of a nation; and by duly considering the real sources of wealth, we shall probably be able to explain some phenomena which have surprised the reasoners on finance.

The increasing prosperity of the nation, during a long and expensive war, its gradual and progressive advances in opulence, have been causes of surprise to those most versed in political disquisitions. If we shall be able to shew that the establishments now under our consideration have in any degree tended to this prosperity, we shall enhance their value in a political point of view. We shall considerably increase the magnitude of their operations, by making them engines of war, as well as peace. Whatever contributes to give strength to an empire groaning under the afflictions of war, deserves the attention of every wise statesman. We shall begin by stating, that it must be admitted as a fact, that Great Britain is not, in the present refined state of commerce, compelled, as in former times, to accumulate

accumulate large quantities of gold and silver, to enable her to carry on foreign wars, and to maintain fleets and armies. It is not with gold and silver that fleets and armies are maintained, but with consumable goods. "The nation which from the annual produce of its domestic industry, from the annual revenue arising out of its lands, and labour, and consumable stock, has wherewithal to purchase those consumable goods in distant countries, can maintain foreign wars there *."

The last French war prior to that which is now on the eve of being terminated, cost Great Britain upwards of ninety millions sterling, including not only the seventy-five millions of new debt that was then contracted, but the additional two shillings in the pound land tax, and what was annually borrowed of the sinking fund. More than two thirds of this expence were laid out in distant countries; in Germany, Portugal, America, the ports of the Mediterranean, and in the East and West Indies. The kings of England had not, as in former times, an accumulated treasure; the enormous expence then of that war, and the same observation equally applies to the present or late war, could not have been defrayed

* Smith's Wealth of Nations, vol. ii. p. 157.

by

by the exportation of gold or silver, but by that of British commodities of some kind or other. That a great, an enormous quantity of gold and silver were exported at different periods of the war is beyond a doubt, and that the Country Banks considerably aided these operations of government cannot likewise be doubted. We may truly assert, that without the intervention of paper currency, all the real gold and silver of the nation would not have paid the expences of one year of the war; and though the parliament had enacted sooner than it did the payment of all demands at the Bank of England in their own paper, yet even that could not have supplied the currency of the country; for it is a fact very well known, that the people at large have not the same confidence in the Bank of England, that they have even in some of the Country Banks. And it may be safely affirmed, that the gold and silver of the country can be more readily collected by the circulation of Country Bank Notes, than those of the Bank of England; each Bank being indeed a depôt of the cash which would otherwise necessarily be employed in the circulation of its adjacent circuit. In viewing these depôts of coin then as so many public funds ready to be called into action for the advantage of the community, we first see their activity

tivity in collecting the specie. We next find their utility in increasing the quantity of those commodities, which during a war serve as the great medium of payment to a commercial country. When government, or those who act under them, contract with a merchant for a remittance to a foreign country, he consequently endeavours to pay his foreign correspondent upon whom he has drawn a bill, by sending abroad commodities of some kind or other, rather than gold and silver. Even if the products of the empire were not in demand in that country, he would endeavour to send them to some other country, in which he could purchase a bill upon that country. When gold and silver are sent abroad to purchase foreign commodities the profits of the merchant arise, not from the purchase, but from the sale of the returns; but when these are sent abroad merely to pay a debt, he gets no returns, and consequently no profits.

The national currency of a country receives its direction and movement from the commodities circulated in the neighbourhood of each particular country; the money of the mercantile republic from those circulated between the different countries with which it communicates. Both are employed in facilitating exchanges, the one between the different individuals

dividuals of the same, the other between those of different nations. Part of this money of the great mercantile republic probably was employed in carrying on the late war, and we may suppose that during a war large sums necessarily circulate around a seat of war, and are employed in purchasing there, and in the neighbouring countries, the pay and provisions of the different armies. But it is a fact, that whatever part of this money of the mercantile republic may have been annually employed in this manner by government, it must have been annually purchased either with British commodities, or with something else that had been purchased with them. In whatever way we consider it then, commodities, the annual produce of the land and labour of the country, are the ultimate resources by which we have been enabled to carry on the late expensive war.

The finer manufactures, which contain a great value in a small bulk, and can therefore be exported to a great distance at little expence, are the commodities most proper, and most usually employed to purchase the pay and provisions of troops on foreign service. It is by means of our manufactures then that we have been enabled to carry on the war, they being the resource; and the banking

system

system the source of our whole prosperity. The ability of Great Britain to carry on war is as durable as her home trade, foreign commerce, and paper credit; but destroy all, or any one of these, and her fleets and armies perish. Without these three resources there would be no fleets to make conquests, no armies to command victories. When we look into the history of our own country, and compare the present with the past, the retrospect is truly gratifying: dreadful as war is, a consolation will arise to the people, who feel that when involved in its horrors, they have the power of defence.

Formerly the monarchs of England, when they had exhausted their treasure, could not continue the expences of war without violent and often oppressive exactions on their subjects; and though we must acknowledge that the evils of war have been, and always must be felt by individuals, yet the resources of Great Britain have been so great, by the surplus produce of her manufactories, that notwithstanding the unparallelled expence, the prosperity of the nation has increased under the pressure of the late war. In former times, when we had nothing with which to purchase the pay and provisions of our armies employed in foreign countries, but the rude produce of the

the kingdom, or the still ruder coarse manufacture, money was necessarily used and as necessarily exported to the impoverishment of the nation. A sovereign in such a state, and under such circumstances, could seldom draw considerable aid from his people.

Foreign trade carries out that surplus part of the produce of land and labour for which there is no demand at home, and brings back that for which there is a demand. It gives value to superfluities and opens an extensive market for the surplus of home consumption; it gives encouragement to the productive powers of the real revenue and wealth of society. The country which is employed in sending out the greatest quantity of superfluities, is generally the greatest gainer by foreign trade. All nations, however, may be more or less enriched by it.

As grand political machines, moving the great levers of the empire, and raising the ponderous powers of war, National Banks may be contemplated as national bulwarks, towers of strength, and edifices of defence.

What the Bank of England is to government and merchants of the metropolis, Country Banks are to traders and gentlemen of landed property in the country. They assist them in their necessities, and aid them in their

enterprises. By discounting the bills of the former, they render money plentiful, where it otherwise would never appear. At no period have their good effects been more manifest than during a war, which having drained the nation of its cash, must have ended in the ruin of its trade, had it not happily met with support from gentlemen of respectability and property forming themselves into Banking Companies, to the great advantage of the community. At a time when money was not to be borrowed on mortgage, many men of the greatest landed property could not have raised money for their occasions but by means of the Country Banks, which I am informed has been very extensively given throughout the country. At the time when government opened its subscriptions for the war, and levied the triple assessment, money was not to be had on mortgages, and such persons as had not ready money, whatever might be the amount of their real property, were extremely distressed and perplexed how to raise it. A nobleman of my acquaintance who paid above a thousand pounds to government on that occasion, borrowed the money at a Country Bank, and from that bank alone he was supplied with twenty thousand pounds, which enabled him to make considerable alterations and improvements on his

his estate, by which means he employed a great number of persons who would otherwise have been out of employment, and probably a burden to their parishes. When we consider the many instances of this kind, on a larger and smaller scale throughout the country, we shall learn to appreciate the value of Country Banks, which have served to sustain the poor, support the rich, and adorn the nation. Many of the greatest undertakings of the kingdom could not have been carried on at all during the war without this aid. I am told that many of the canals intersecting the interior of the kingdom, and opening a communication from the most inland counties to the farthest extent of navigated seas, could never have been effected, but from the facility with which money was obtained from the bankers where the undertaking was carried on. Many, if not all large manufacturers, have received continual or occasional accommodations of the same kind. Building, though considerably checked during the war, has in many parts of the country proceeded with vigour, and houses, streets, and towns, have been raised as substantially on paper currency, as brick or stone cemented by gold or silver, could have built them. Agriculture, and all the spirit of farming, never was pursued with such ardour in its various

various branches as at this present time, and though we must view the large profits as the spur, yet we must consider the Country Banks as the means by which these large farming concerns have been carried on. And here one cannot but lament the prejudice of those who attempt to deny the utility of these Banks, and who attribute to them bad consequences, without admitting the good.

The high price of provisions, it has been said, and more especially that of corn *, is owing

* The Athenians, to prevent corn from rising above its ordinary price, prohibited every citizen, under pain of death, from buying above a certain quantity. Five drachmas, (three shillings and nine-pence English) the medimnus was reckoned the ordinary price.—The medimnus was about four of our bushels, (Goguet, de l'Origine des Lois, &c.) t. iii. p. 260. The quantity which each citizen might purchase, was according to the text of Lysias πεντηκοντα φορμῶν, which may be rendered fifty baskets—it is a measure, the exact value of which is not known.—The punishment of death was likewise denounced against the inspectors of corn, if they neglected to prevent a monopoly—a practice at all times forbidden to individuals, but in some places employed by the government to increase its revenues. Lys. in Darden, p. 392. Aristot. de Rep. lib. i. cap. 11.

The Athenians brought yearly from Pontus 400,000 medimni of corn, as appeared from entries in the books at the custom-house, and which, as Mr. Hume observes, was the greatest part of their importation of corn: but Mr. Hume was

owing to the facility with which a set of monopolists are supplied with cash by Country Banks. That there should be monopolies or combinations amongst individuals which have the effect of raising the price of the necessaries of life is much to be lamented, and I am ready to admit that restrictive laws would be desirable, if they could exist without injury to the freedom of trade. But admitting this opinion in its full force, and allowing that the Country Banks advance money on what they think proper security, to monopolists and speculating cornfactors, by which means the price in some instances may be raised beyond its level; yet in this trade, injurious as it appears, as well as in every branch of commerce, it is for the advantage of the community that there should be many competitors, for it is by competition alone that the market can be fairly regulated and brought to its due level. If therefore the Country Banks aid many to purchase, as whatever is purchased must be brought to market to fetch a profit, for no profit can arise from constantly hoarding a perishable substance like corn, so the greater the number of dealers,

was mistaken in supposing the medimnus only equal to our bushel. Mr. Goguet has shewn it to be equal to a quantity, which in English or Winchester measure, is about four bushels.

the

the greater is the probability of the price being lowered. It is highly improbable, therefore, that the Country Banks, by aiding many persons to speculate in corn, are the means of enhancing its price, for it is clear that a general aid to speculators must have a contrary tendency, and effectually do away monopoly. The fact seems to be, that in some places two or three monied men, who act from their own weight in the scale of prices, independent of any bank, for such men are in themselves banks, and whether they pay in Bank of England, or Country Bank Notes, or guineas, is exactly the same thing, perhaps do combine to keep up the price. We have seen this observation verified in the case of hops, where one wealthy individual, solely from the operation of his own weight in the scale, could regulate and raise the price of what we now deem a necessary of life. But it did not appear that the individual alluded to received any aid in his operations from Country Banks.

That the high price of corn might, in some measure, arise from combinations of this kind amongst wealthy persons in some markets, I am ready to admit, and that such persons may keep an account with a Country Banker, and pay in his notes; but such an occurrence is no proof of the bad effects to be attributed to the Country

Country Banks; it must be attributed solely to the operation of wealth on the free trade of a free country. Men with large capitals will naturally endeavour to command the price of the articles in which they trade, and those who trade in corn will be as anxious to sell at a great price as any other traders.

If the Country Banks had acted as has been asserted, they must have had an effect very different from what those gentlemen who made the assertion seem to have imagined. If they had really advanced large sums of money to many persons to purchase corn, the greater the number of persons so employing their capital, the lower must necessarily have been the price—competition produces cheapness. It is evident, therefore, that the high price of provisions is totally independent of any system of banking known in this country.

For all the purposes of agriculture the establishment of Country Banks has its utility. Most of the inclosures of land have been promoted and carried into effect by their means. Even during the war the progress of this improvement has been rapid beyond example. Except in the vicinity of the metropolis, we everywhere find the face of the country enriched, by the cultivation of its heaths, its moors, and waste land.

These improvements could not have taken place in many parts of the country without the assistance of the Country Bankers, who, on various species of security, advanced the money necessary for such very considerable undertakings. By these means many hundred thousand acres of land have become productive; many thousand quarters of wheat and other grain added to the national stock; many thousand families of labourers, artificers, husbandmen, and others supported. These reflections are truly gratifying to every lover of his country, and friend of humanity.

In a tour which I made in the course of the Summer, I had an opportunity of observing the improvements which have taken place, within a very few years, in one of the most barren, desolate, parts of England, I mean the Wolds of Yorkshire, whose bleak mountains, which hardly furnished a blade of grass to a few famished sheep, are now waving with fields of corn. The crops of oats and barley were, this last harvest, immense; and where the fields had been sown with seeds, a most luxuriant crop of grasses appeared. Improvements like these are objects of national importance; and it is my opinion, that they never could have been effected without the aid derived from Country Banks. The Bank

of

of England would not have advanced to individuals the sums necessary, and as they were vested for such enterprises, and on mortgages from common individuals, the money could not have been procured.

In many instances the Country Bankers set the example of improvement. One of the large tracts of the wolds, of which I have been speaking, has been inclosed, cultivated, and ornamented with several excellent farm-houses by a banker of Hull, to whom the country is greatly indebted. The support given to the manufacturers in the country has been very extensive.

I know a very large manufactory which would have failed early in the war, but for the support it received from a Country Bank. There are, doubtless, many instances of the kind. The foreign trade, and every branch of commerce, has been greatly promoted by these establishments.

Having pointed out the utility of Country Banks, as applied to the improvements which have taken place in the nation by an increase of its trade, commerce, manufactures and agriculture, let us take a view of the advantages which arise to government by the operations of these Banks. As a source of revenue, let us first notice the sums annually paid to government

government by the bankers themselves, for stamps on which their notes are issued. This will amount to a considerable sum; to which add the consumption of bill stamps, and we shall be astonished at the sum paid to government by means of this circulation. We must likewise take into account the quantity of paper, all of which pays a duty. And lastly, let us attend to the sums paid for postage of letters arising solely from these transactions. Considered then as an object of revenue, the Country Banks are of considerable importance to government. By the aid given to the manufacturer his capital becomes enlarged; he employs and supports a greater number of individuals than he otherwise would have been able to do; these individuals add to the riches and wealth of the nation by their industry; marriage is encouraged; whole families are called into existence; population is increased, and poverty banished from parishes, which otherwise would have been oppressed with an indigent, unemployed poor. This employment of the poor, and encouragement of industry, by facilitating the comforts of marriage, may be considered amongst the happiest effects of an increase of riches to any nation. An increased population, with an increased means of support, forms the strength, and is the sure

sign

sign of a tendency to improvement in any state—increased population causes an increased consumption of those articles which give rise to and support the various trades, arts, and manufactures of a country. An increased consumption augments the revenues by an increased addition to the duties and taxes paid in a great variety of ways to government, in the form of excise, house-tax, window-tax, &c.

In this point of view then, these establishments demand the fostering care of government. It is indeed to the security of our admirable Constitution that these institutions owe their rise—the protection given by law to the property of the subject, encourages the commercial spirit of an enterprising people. From what has been said, it will appear that we can have nothing to fear, generally speaking, from an excess of paper currency payable on demand in gold or silver coin, for the nature of its circulation is such as to limit its extent; neither have we any thing to fear from the multiplication of the banks, since they operate as checks on each other, and like all other competitions in trade, are for the benefit of the public. If it be objected that gold, the sight of which so gratifies the human eye, is now seldom to be seen, let it be remembered that

that it is invisibly performing its magic effects on the commerce of the nation. We may be assured that every guinea, though unseen, is actively employed for the good of the community; its paper representative is not intended to supply its place, that it may sleep in idleness; on the contrary, it goes forth to seek new adventures; the chrysal of the day is not bred up in idleness; he seldom sleeps long in the iron chests of bankers.

The intention and object of all bankers, it must be obvious, is to use the coin which they get in exchange for their paper; and let it be remembered, that it is scarcely possible for them to employ it to the disadvantage of the country. They may, though they seldom do, employ it unskilfully, but even in that case, the employment may have its utility. When we recollect that it is the real interest of the bankers to employ with great caution the coin which they borrow of the public, and when we consider the property which they have at stake, the most timid reasoner, can see but little danger to the holders of country bank-notes in general. It is seldom that persons without real *bonâ fide* property can engage in banking concerns; and if we examine the firms of the banks throughout the country, we shall find that

that they consist very generally of gentlemen of well known, and often of very large property; and as the bankrupt laws are very wisely framed, and very uprightly administered, we have very little to fear from fraudulent failures, which can hardly ever happen in banking partnerships. If, therefore, from any sudden run upon any of these banks, they should not be able, as might accidentally happen to the most respectable of them, to pay in gold or silver on such occasion, no person who really believed in the validity of the assets of the firm, would have any real cause of alarm, for though he might experience an inconvenience, he could not ultimately be a loser by such an occurrence. The credit, it is true, of such a house, would receive a shock, but it is with pleasure, that every honest man, has seen the recovery of some firms from blows of this kind, malignantly aimed by illiberal competitors. To comprehend fully the utility of any establishment it must be examined in various points of view. I have endeavoured to treat my subject in this manner, and if I am not mistaken, the arguments in favour of the banking system are drawn from facts fully admitted, and established by the best writers and most accurate political enquirers.

It might be curious to ascertain the precise sum

sum now added to the mass of the circulating medium of the country by the present establishments, but I must own that I am not sufficiently acquainted with practical concerns of this kind to offer any thing like an arithmetical calculation on this subject; but it seems probable, that some millions of money are thus added to the productive capital of the nation; and it is a satisfaction to think, that the mines from which these riches spring, must be as durable as the constitution of the country, and this coinage, if I may so term it, be as plentiful as the wants of industry require it. It is a source whence wealth flows precisely as it is wanted; whilst Great Britain increases in industry, she may safely increase her paper currency, and multiply her banks. The period is very far distant that will obstruct the operations of banking; our merchants have great scope for their enterprises and our manufacturers for their produce. The rapid increase of population will give rise to new towns or villages; the rapid improvements in agriculture will give employment to new labourers; and under the administration of a wise and enlightened government, the empire of Great Britain may flourish for ages yet to come in a progressive state of improvement. Ireland will afford an ample field for the employment of

of the largest capitals; and when the good effects of the Union shall manifest themselves to the people of that hitherto distracted country, they will soon begin to emerge from the wretched state in which they have so long been sunk; and by the pursuits of industry raise themselves from the miseries of poverty, to the enjoyment of wealth, comfort, and happiness. Now that the Union has so happily united the interests of the two nations, and done away that spirit of jealousy which so long obstructed the springs of commerce, we may hope soon to see the same improvements take place in Ireland, which have followed the union of Scotland with England. Every thing that science, humanity, and virtue can accomplish, will be effected by the noble Lord who now governs that country.

It is well worth the Irish politicians attention, to consider how far the example of Scotland might safely be followed, and the trade of Ireland increased by the establishment of a greater number of banks. Whatever may be the sum added to the capital stock of the country, when it is viewed as the circulating capital, we shall be astonished at its effects—"The circulation of money is money, and so much that it cannot be computed by any calculation.

"We

"We every day see bankers, living, not only in affluence, but magnificence, building palaces, and purchasing estates, by the sole profits of capitals, very inconsiderable; *continually* circulated; and some, by circulating the wealth of others, without any capital at all. A few thousand pounds diffused through the various occupations and professions of a small town, will maintain all the families, of which it is composed, better than the same sum would support one family, if it remained unemployed in the hands of a single person. The butcher and the baker feed the taylor and the draper, who clothes them in return; the farmer employs the carpenter, the bricklayer, and the labourer, and they assist him by consuming part of his crop; the parson maintains a wife and six children, and the attorney builds a house, and buys land, and they are all paid in their turns by the perpetual rotation of the same money. If, then, the circulating a small sum, within such narrow limits can do all this, what will not the circulation of so many millions be able to effect in the hands of a great and powerful nation, when employed in improving commerce, agriculture, and manufactures*."

From the observations which I have already made, it will appear that the Country Banks may be considered as political machines of great

* Soame Jenyns's Essays, vol. ii. p. 284.

great power in a commercial state. Their operation is extensive, and not local or limited to the spot on which they are erected. The circulation of the paper, it is true, may, and generally is, very limited to a county, or often to a few parishes; but their efforts may extend to the utmost boundaries of commerce. Nations in every region of the globe may be acted upon by these powerful engines; for as they promote and facilitate trade, their operations become as extensive as the trade they produce; and when we consider the effects of an extended commerce, we may trace the twenty shilling note of a Glasgow bank, from its embarkation in the Clyde, in its form of manufacture, through the West or East Indies, till it returns, in the suite of a Nabob, who fixes it in a palace which he builds in the neighbourhood of his native city, on his return from Asia, whither he himself was probably first sent by the operation of paper currency.

As trade produces reciprocal advantages, so the good effects, so evidently manifested in our own country, may be in a considerable degree promoted in very distant parts of the world. The industry of Indostan may be increased; the inhabitants of Calcutta multiplied; the woods of America cleared, the marshes drained, and its agriculture improved;

the produce and population of Africa and the West Indies may all be affected by the establishment of a new bank in any part of Great Britain; which, by increasing the trading capital of a great commercial nation, may produce political consequences in every quarter of the world.

I shall conclude this work with a few brief observations on the balance of trade, the course of exchange, and the causes of the export of gold or bullion from the country.

The commercial exports and imports of any state, readily become proportionate to each other:—they seldom continue for any length of time greatly favourable or unfavourable to any particular country.

The balance must be paid in bullion, or it must remain a debt. The unwillingness of the richer State to lend, and the disinclination of the poorer to borrow to an unlimited extent, promote the equalization of the commercial exports and imports. A great inequality, however, will not fail to arise occasionally from various causes. — War, scarcity, and, above all, a bad or good harvest will produce very manifest effects. In consequence of the late bad harvests, the large imports of corn have cost the nation many millions of ready money; which served alike to drain the country

try of gold, and to turn the course of exchange considerably against Great Britain.

In speaking of the commercial exports and imports, we here mean those articles for which an equivalent is given. Many of our commodities which are exported, and some which are imported, furnish no return. The numerous stores which were shipped during the war, for the support of the navy and army in foreign parts—loans and subsidies to our Allies—dividends transmitted to the foreign proprietors of British Stock—the capital sent annually from this kingdom to the West Indies, to be employed in the cultivation of lands are of this kind: whilst, on the other hand, a very considerable capital is brought into this country from the East Indies, both by the India Company and by individuals.

Exports and imports of this kind tend, like a bad harvest, to render the balance of trade unfavourable, and by creating a debt to foreign countries, promote the exportation of bullion.

The commercial exports and imports seldom continue long disproportionate: they have a tendency to equalization from two causes: first, the limitation of the debt which foreigners will suffer British merchants to contract; and secondly, from the quantity of English bullion which is exportable.

Gold

Gold itself being an article of intrinsic value as well as the medium of payments, is exported and imported by merchants accordingly as the export or import is likely to yield a profit.

It is contrary to law to export gold coin, or gold which has been melted down from coin, but it is generally believed, that when the profit on exportation is very great, the law is evaded, and large quantities of English gold find their way into foreign countries. Whilst our paper currency maintains its credit we have no great reason to lament this occurrence, for it should be remembered that gold is an unproductive part of our capital; by the exportation of it, the country saves the interest of the sum exported, and the exchange with foreign countries, is improved by discharging the debt due on account of an unfavourable balance of trade—it is said likewise to prevent the depreciation of our own paper currency as compared with the current money payments of other countries*. I cannot take leave of my subject without mentioning a work on the paper currency of Great Britain which has just appeared.

On Wednesday, February 24, I called at my Publisher's to enquire if my Pamphlet was

* Thornton on Paper Currency, p. 134.

finished

finished, for having had a severe illness in the country, I had intrusted the publication solely to the care of my bookseller. The printer was employed on the last proof. Mr. Hatchard then shewed me Mr. Thornton's book, and it gives me much satisfaction to find my opinion, in many respects, confirmed by a gentleman of such profound knowledge on the subject, at the same time that I differ from him on some topics. From his excellent work, which will be read with great interest by the commercial and political world, I beg leave to subjoin a note as a supplement to what I have already said on the state of the Bank of England*.

* "The effects of the Bank on the 25th of February, 1797, I mean those effects which were their own, as well as those placed in their hands belonging to other persons, may in conformity to the account rendered by themselves to Parliament, be stated to be in round numbers, as follows.—(It may be premised that they had a capital of their own of about £.11,625,000 which shall be excluded from our present consideration, it being lent to government at three per cent. per annum interest.)

1. They had a sum of undivided profits which formed an additional and disposeable capital of nearly - - - £.3,800,000

2 They had of deposits lodged with them by customers of various classes about - £.5,100,000

These deposits include, as may be presumed, the dividends belonging to many proprietors

Brought over,	£.8,900,000
tors of stock, which may be viewed in the same light with the cash kept by an individual in the hands of his banker.	
3. They had what may be considered as disposeable effects or deposits placed in their hands in return for Bank Notes issued - -	£.8,600,000
Thus the Bank had, at that time, disposeable effects, amounting in all to - -	£17,500,000

FINIS.

Brettell and Bastie, Printers,
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ERRATA.

Page 4, line 23, for dissolves, read discloses
Page 9, line 7, for clearly, read cleanly
The references in pages 9 and 10 should be reversed, and dele *a note on this head*
Page 9, line 20, for diffusive, read diffusible
Page 13, last line, for Trapey, read Trapez
Page 16, line 22, for maritine, read maritime
Page 26, line 9, for will, read well place
Page 36, line 18, for country, read county
Page 45, line 22, for the poor, read these poor
Page 52, line 3, for counties, read countries
Page 54, last line, instead of for which, read from which
Pages 61-62, for their activity, read the activity of Country Banks
Page 63, line 6, for a seat of war, read the seat of war.

The errors of punctuation are numerous, but it is hoped that the candid reader will excuse them. The Author was prevented by illness, in the country, from correcting the proofs.

Books and Pamphlets

Lately published by J. HATCHARD, Bookseller to Her Majesty, No. 190, (Opposite York House,) Piccadilly.

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